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Livestock and Products

New Subsidy for French Beef Farmers 2002

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Report Highlights:

On January 7, 2002, French Minister of Agriculture and Fisheries Jean Glavany announced a new national measure to help beef farmers face the economic crisis in their sector, mainly due to the BSE and FMD outbreaks. The French MinAg will provide €150 million (\$ 134 million) to the French beef farmers most affected. The number of farmers to benefit from this subsidy is estimated to be 40,000, i.e., 40 percent of the 100,000 French farmers specializing in beef. Although gradually recovering, French beef consumption is still low, and a series of EU policy measures aim to reduce the beef supply to get it in line with demand.

Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

Paris [FR1], FR

1. Additional Support from French MinAg to Beef Farmers:

On January 7, 2002, French Minister of Agriculture and Fisheries Jean Glavany announced a new national measure to help beef farmers face the economic crisis in their sector, mainly due to the BSE and FMD outbreaks. The French MinAg will provide €150 million (\$ 134 million) to the French beef farmers most affected. The number of farmers to benefit from this subsidy is estimated to be 40,000, i.e., 40 percent of the 100,000 French farmers specializing in beef. This funding will include €81.31 million in direct support payments and charge cuts, €28.97 million over five years to fund 4,000 pre-retirements and job switches, and €38.11 million over five years to strengthen beef herd production (in opposition to dairy herds).

This is in addition to support funds announced in February 2001 by the French MinAg, which included \$ 137 million in direct payments to beef farmers, \$ 68.5 million to consolidate loans, \$ 27.4 million to recent investors, \$ 13.7 million to the veal industry, and \$ 54.8 million to territorial farming contracts specializing in grass ranching. (See report FR1016, dated March 9, 2001)

The leading French farmers union (FNSEA) and the young farmers union (JA) complained that dairy farmers, who were also hurt by the crisis, will not benefit from this new measure. Note: FNSEA's President, Jean-Michel Lemétayer is a dairy farmer and has been the President of the French dairy farmers federation for a number of years. However, the two French farmers unions do not intend to strongly protest.

2. Beef Market Situation Update

French beef consumption is estimated to have decreased by 3 percent from 2000 to 2001. This is a lower-than-expected decline, due mainly to strong marketing campaigns, increased purchases of high-value specialty beef at the expense of standard beef by French households, and the reintroduction of beef into school meals in many cities after being banned for several months. Also, as French beef consumption was sharply down in the second half of November 2000 and during all December 2000, as these were the first months of the BSE crisis, beef consumption during the same period in 2001 was significantly higher. The forecast is for an increase in beef consumption in 2002 from 2001 to approximately the 2000 level.

Although beef producer prices are still relatively low, they are recovering, mainly due to low supplies on the French and European markets. EU measures such as intervention purchases, purchases for destruction and special purchase schemes have also reduced supplies. In France, intervention stocks amounted to 70,000 MT in 2001, and are expected to be 151,000 MT in 2002. The purchase for destruction scheme, which was implemented in the first half of 2001, amounted to 170,000 head of cattle in France. It was replaced by a special purchase scheme in the second half of 2001, under which 48,000 MT were purchased in France. As this program will continue into 2002, it is expected to include 20,000 MT.

French trade of live cattle as well as beef and veal meat was significantly hurt by the BSE and FMD crises in 2001. Like in the first BSE crisis in 1996, the French beef sector reduced its dependence on foreign markets and the share of domestically-grown beef in domestic consumption increased significantly. French exports of live cattle declined by 4 percent from 2000 to 2001, since exports of live cattle to be fattened in Spain and Italy declined significantly in the first half of 2001 but then gradually recovered.

A sharp decline was recorded for French beef exports from 2000 to 2001, as export markets, both inside and outside the EU, closed for sanitary purposes. In 2002, French exports of live cattle and beef meat are expected to recover, while imports should remain relatively low, so that the beef supply on the French market remains relatively low in order to fit still weak domestic consumption.